

AMENDED IN SENATE APRIL 3, 2014

**SENATE BILL**

**No. 1170**

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**Introduced by Senator Liu**

February 20, 2014

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An act to amend Section 54237 of the Government Code, relating to property.

LEGISLATIVE COUNSEL'S DIGEST

SB 1170, as amended, Liu. Surplus nonresidential property.

Existing law declares the intent of the Legislature to preserve, upgrade, and expand the supply of housing to persons and families of low or moderate income, through the sale of specified surplus residential property owned by public agencies. Existing law establishes priorities and procedures that any state agency disposing of that surplus residential property is required to follow, and defines relevant terms for these purposes, including "fair market value." Existing law defines "fair market value" as the fair market value as of the date the offer of sale is made by the selling agency and to reflect the existing "as is" condition of the property, taking into account any needed repairs, as specified. Existing law requires tenants in good standing who legally occupy nonresidential properties to be given priority to purchase the property at fair market value.

This bill would require that fair market value be determined relative to current use *of the property if the tenant that has priority to purchase the nonresidential property is a nonprofit organization.* ~~for the purchase by those tenants of nonresidential properties of the properties they occupy.~~

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

SECTION 1. Section 54237 of the Government Code is amended to read:

54237. (a) Notwithstanding Section 11011.1, any agency of the state disposing of surplus residential property shall do so in accordance with the following priorities and procedures:

(1) First, all single-family residences presently occupied by their former owners shall be offered to those former owners at the appraised fair market value.

(2) Second, all single-family residences shall be offered, pursuant to this article, to their present occupants who have occupied the property two years or more and who are persons and families of low or moderate income.

(3) Third, all single-family residences shall be offered, pursuant to this article, to their present occupants who have occupied the property five years or more and whose household income does not exceed 150 percent of the area median income.

(4) Fourth, a single-family residence shall not be offered, pursuant to this article, to present occupants who are not the former owners of the property if the present occupants have had an ownership interest in real property in the last three years.

(b) Single-family residences offered to their present occupants pursuant to paragraphs (2) and (3) of subdivision (a) shall be offered to those present occupants at an affordable price, which price shall not be less than the price paid by the agency for original acquisition, unless the acquisition price was greater than the current fair market value, and shall not be greater than fair market value. When single-family residences are offered to present occupants at a price that is less than fair market value, the selling agency shall impose terms, conditions, and restrictions to ensure that the housing will remain available to persons and families of low or moderate income and households with incomes no greater than the incomes of the present occupants in proportion to the area median income. The Department of Housing and Community Development shall provide to the selling agency recommendations of standards and criteria for these prices, terms, conditions, and restrictions. The selling agency shall provide repairs required by lenders and government housing assistance programs, or, at the

1 option of the agency, provide the present occupants with a  
2 replacement dwelling pursuant to Section 54237.5.

3 (c) If single-family residences are offered to their present  
4 occupants pursuant to paragraphs (2) and (3) of subdivision (a),  
5 the occupants shall certify their income and assets to the selling  
6 agency. When single-family residences are offered to present  
7 occupants at a price that is less than fair market value, the selling  
8 agency may verify the certifications, in accordance with procedures  
9 utilized for verification of incomes of purchasers and occupants  
10 of housing financed by the California Housing Finance Agency  
11 and with regulations adopted for the verification of assets by the  
12 United States Department of Housing and Urban Development.  
13 The income and asset limitations and term of residency  
14 requirements of paragraphs (2) and (3) of subdivision (a) shall not  
15 apply to sales that are described as mitigation measures in an  
16 environmental study prepared pursuant to the Public Resources  
17 Code, if the study was initiated before this measure was enacted.

18 (d) All other surplus residential properties and all properties  
19 described in paragraphs (1), (2), and (3) of subdivision (a) that are  
20 not purchased by the former owners or the present occupants shall  
21 be then offered to housing-related private and public entities at a  
22 reasonable price, which is best suited to economically feasible use  
23 of the property as decent, safe, and sanitary housing at affordable  
24 rents and affordable prices for persons and families of low or  
25 moderate income, on the condition that the purchasing entity shall  
26 cause the property to be rehabilitated and developed as limited  
27 equity cooperative housing with first right of occupancy to present  
28 occupants, except that where the development of cooperative or  
29 cooperatives is not feasible, the purchasing agency shall cause the  
30 property to be used for low and moderate income rental or  
31 owner-occupied housing, with first right of occupancy to the  
32 present tenants. The price of the property in no case shall be less  
33 than the price paid by the agency for original acquisition unless  
34 the acquisition price was greater than current fair market value  
35 and shall not be greater than fair market value. Subject to the  
36 foregoing, it shall be set at the level necessary to provide housing  
37 at affordable rents and affordable prices for present tenants and  
38 persons and families of low or moderate income. When residential  
39 property is offered at a price that is less than fair market value, the  
40 selling agency shall impose terms, conditions, and restrictions as

1 will ensure that the housing will remain available to persons and  
2 families of low or moderate income. The Department of Housing  
3 and Community Development shall provide to the selling agency  
4 recommendations of standards and criteria for prices, terms,  
5 conditions, and restrictions.

6 (e) Any surplus residential properties not sold pursuant to  
7 subdivisions (a) to (d), inclusive, shall then be sold at fair market  
8 value, with priority given first to purchasers who are present tenants  
9 in good standing with all rent obligations current and paid in full,  
10 second to former tenants who were in good standing at the time  
11 they vacated the premises, with priority given to the most recent  
12 tenants first, and then to purchasers who will be owner occupants.  
13 The selling agency may commence the sales of properties that  
14 former tenants may possess a right to purchase as provided by this  
15 subdivision 30 days after the selling agency has done both of the  
16 following:

17 (1) Posted information regarding the sales under this subdivision  
18 on the selling agency's Internet Web site.

19 (2) Made a good faith effort to provide written notice, by  
20 first-class mail, to the last known address of each former tenant.

21 (f) Tenants in good standing of nonresidential properties shall  
22 be given priority to purchase, at fair market value ~~as determined~~  
23 ~~relative to current use~~, the property they rent, lease, or otherwise  
24 ~~legally occupy~~. *occupy, except that if the tenant is a nonprofit*  
25 *organization the property shall be offered at fair market value as*  
26 *determined relative to the current use of the property.*